

CALIFORNIA DEPARTMENT OF SOCIAL SERVICES CHILD WELFARE SERVICES BUDGET METHODOLOGY REPORT

Introduction

Assembly Bill (AB) 1808 Chapter 75, Statutes of 2006, known as the Budget Trailer Bill, requires the California Department of Social Services (CDSS) to develop and submit to the Legislature a proposed methodology for budgeting funds for the Child Welfare Services (CWS) Program to meet program requirements and outcomes. The new methodology was to take into account available research, the Senate Bill (SB) 2030 workload standards study required by Section 10609.5 of the Welfare and Institutions Code (W&IC), industry standards developed by child welfare organizations and accrediting bodies, budgeting methodologies used in other states and budgeting methodologies in support of best practices and improved outcomes. The statute also required CDSS to work with the County Welfare Directors Association, legislative staff, and organizations that represent social workers in developing the revised methodology.

Steps in the Review

CDSS embarked on the effort to determine a revised approach to budgeting CWS costs along three concurrent paths. First, CDSS examined its current budget methodology; budgeted levels and caseloads, policy underlying the CWS budget, and allocation of funds to counties. Second, CDSS issued a contract to the University of California, Davis (UCD) Center for Public Policy Research (CPPR) to do the following:

- 1) Review and summarize available information regarding industry standards on existing and new CWS budgeting methodologies developed by recognized child welfare organizations and accrediting bodies, including California's SB 2030 study;
- 2) Review and summarize budgeting methodologies used in other states.

Third, CDSS convened a stakeholders group for four meetings to review available budget and caseload information, seek input on priorities from the represented stakeholders, seek input on the UCD report and present the findings. Attachment 1 lists the persons participating in these meetings and the dates of the meetings. Later in this report, input from this group will be discussed and summarized.

Caseload and Budget History in the Child Welfare Services Program

The budget for the CWS Program funds a variety of services provided by County Welfare Departments (CWD) authorized under Section 16500 of the W&IC. The services may be provided directly by the CWD's or by contract with other public and private agencies. Services include 1) receiving and responding to and investigating complaints of child abuse, exploitation and neglect, 2) evaluating the needs of families and children to avoid abuse and prevent separation of the child from the family, 3) providing services to reunify families in instances where a child is removed from the home to insure the safety of the child and, 4) determining appropriate placement of children who are removed from their family, manage the care of that child and determine the long-term goal for the child including guardianship, adoption or long-term placement. Funding for the program is comprised of federal Titles IV-B, IV-E, XIX and XX funds, and Temporary Assistance for Needy Families (TANF) funds as appropriate. Except for TANF, the non-federal share is 70 percent State and 30 percent county.

Current Basic Funding Methodology

The key elements in the current budget methodology for forecasting and allocating the State and federal funds to the counties are as follows:

- 1) Standards agreed upon with the County Welfare Directors in 1984 for the five primary workload indicators in the program

1984 Budget Standard

Workload Area	Cases per Worker
Emergency Response	15.8
Family Maintenance	35.0
Family Reunification	27.0
Permanent Placement	54.0
Emergency Response Assessment	320.0

- 2) A statewide social worker cost based upon the projected county costs for Fiscal Year (FY) 2001-02
- 3) Actual caseloads reported through CWS/ Case Management System (CMS)
- 4) No reduction in funding for counties whose caseloads decrease from year to year (known as the hold harmless policy)

In April 2000, the SB 2030 Child Welfare Services Workload Study was released and proposed updating the workload standards for the CWS budget. This work was coordinated by the American Humane Association and Walter R. McDonald & Associates. No action to base the CWS budget on these revised standards has occurred.

Changes in CWS Funding and Caseloads since FY 2001-02

	FY 2001-02 Total Funding	General Fund	FY 2006-07 Total Funding	General Fund		Percent Change 2001-02 to 2006-07 Total Funding	General Fund
Total Program							
Total Funding CWS*	\$1,907.0	\$608.7	\$2,380.3	\$778.6		25%	28%
Total Statewide Population ages 0-17	9,394,901	9,394,901	9,680,918	9,680,918		3%	3%
Average Annual Cost per Child	\$203	\$65	\$246	\$80		21%	24%
Funds Allocated to County Operations							
Total CWS Operations*	\$1,490.4	\$543.4	\$1,803.2	\$724.0		21%	33%
CWS Caseload	162,824	162,824	143,799	143,799		-12%	-12%
Average Annual Cost per Case	\$9,153	\$3,337	\$12,540	\$5,035		37%	51%

* Funding dollars in millions

As the above table shows, total funding for CWS in California rose from \$1.9 billion in FY 2001-02 to \$2.4 billion in FY 2006-07. The program funding has increased by \$440.6 million or 25 percent (28 percent General Fund (GF)) and funding for the basic county operations has increased by 21 percent during this period. The funding increases in the program represent funds for increased caseloads and new program activities.

The table above also demonstrates that CWS caseloads have decreased by 19,000 cases or 12 percent over the past five years. This reduction occurred even though the total number of children in the State increased by 286,000, a three percent increase. Three of the four categories (Emergency Response, Family Maintenance, and Family Reunification) remained relatively stable during this period. The fourth category, Permanent Placement, which comprises most of the children in foster care, decreased by 20,000 during this period. This decrease appears to be directly attributable to the State Kinship Guardianship Assistance Payment (Kin-GAP) Program that has allowed children to remain in relatives' homes who have established guardianship and continue to receive support for these children. This is addressed in more detail in the section on program changes since FY 2001-02.

As a result of increased funding and reduced caseloads, the overall funding per CWS case over the last five years has increased by 37 percent with the GF share increasing by 51 percent during this period. The increase in cost per case is attributable to both budget augmentations provided to the program as well as the hold harmless policy that maintains county funding levels when their caseload declines. The largest single augmentation to the CWS budget was a \$98.6 million (\$61.4 million GF) increase to basic CWS services in the FY 2006-07 budget. Attachment 2 details the budget changes between FY 2001-02 and FY 2006-07.

County “Overmatch” Contributions

Over the last five years, counties have also contributed funds beyond the State budget match requirements (see Attachment 8). These are known as county overmatch funds. In FY 2005-06, counties contributed \$155.5 million in funding above the amounts required to match State and federal funds. These funds are not reflected in the budgeted totals since they are optional by county and there is no requirement that counties maintain these levels. However, it should be pointed out that 39 counties voluntarily contributed funds that represent 18 percent of the non-federal share of the program. These additional county funds improve county funding in those counties who can afford, and choose, to spend their funds in this manner. These funds are matched with available federal funds where appropriate and increases the total CWS funding in those counties. County overmatch amounts by FY are:

History of County Overmatch

Fiscal Year	Amount in Millions	# of Counties
2001-02	\$71.7	31
2002-03	\$78.1	25
2003-04	\$65.4	22
2004-05	\$38.7	16
2005-06	\$155.5	39

Affect of Current Budget Policies And Funding Augmentations On County Allocations

The following budget policies have been in place since FY 2001-02:

Hold Harmless Policy. The hold harmless policy essentially keeps county funding at the highest previous year since FY 2000-01, even if caseload declines. The positive effect of this policy is that it provides counties funding stability for CWS from year to year. However, this policy does affect the equity of county allocations over time. Funding per case varies considerably among counties because those with declining caseloads are treated differently than those with increasing caseloads. Attachment 3 displays the current funding per case by county. Among like-size counties, variances are significant. For example, San Francisco and Riverside Counties receive approximately \$9,000 per case while Santa Clara and San Mateo Counties receive over \$16,000 per case. Current funding for the hold harmless policy represents 20 percent of the CWS budget allocation (see Attachment 7). The rationale behind the policy is that counties should receive stable funding over time so that there are not significant reductions from year to year. However, the combination of declining caseloads in most counties along with the significant length of time that the policy is in place has resulted in inequities among counties. See Attachment 7.

Cost-of-Doing-Business (CODB) Policy. The State policy in the development of the CWS budget has been to use the same county unit cost since FY 2001-02. Most

counties have provided some cost-of-living increases since FY 2001-02, with urban counties providing higher adjustments in most cases. These costs are generally driven by the results of mandated collective bargaining between the counties and labor representatives. Some counties provided local augmentations to offset the state policy. In FY 2005-06, 39 counties provided overmatch to help fund cost-of-living increases.

The Budget Act of 2006 directs CDSS to gather data on county cost increases since FY 2001-02 and present the information in the May Revise of the FY 2007-08 Governor's Budget. The following is a table that shows the county CODB increases compared to the California Necessities Index (CNI) and the Consumer Price Index (CPI).

Comparison of County Wage Increases to Indices

Fiscal Year	CA-CNI	CA-CPI	County CWS Salaries
2002-03	3.7%	2.6%	8.0%
2003-04	3.5%	1.9%	4.6%
2004-05	2.8%	3.3%	6.3%
2005-06	4.1%	4.2%	2.3%
Cumulative	14.9%	12.5%	22.8%

These two policies have resulted in wide variations in the purchasing power of the State CWS allocations by county. The length of time that these policies have been in effect presents problems at both the State and county levels.

Relief of County Match in Recent Budget Augmentations: The CWS program's basic funding commitment is to maximize the use of federal funding and to require the State and counties to share the matching requirement for federal funds. The statutory funding structure shares the non-federal costs between the State at 70 percent and the counties at 30 percent. The Legislature has acted in the last decade to provide significant augmentations to CWS funding without requiring the county's non-federal match of 30 percent. These augmentations occurred in 1998, 2000, and 2006 and total \$118.6 million in GF and discretionary federal Title XX funds.

Since the first augmentations occurred, many counties provided county overmatch as previously described. The action of the Legislature has been to attempt to relieve counties of some of the matching requirements, yet counties contributed significantly more local funding in overmatch in FY 2005-06 (\$155 million) than is relieved by the Legislative budget actions. Although there may be some county by county differences, consideration needs to be given to returning to a predictable shared fiscal relationship between the State and counties in this program. Requiring all counties to share in these augmentations would shift \$36 million GF to county funds.

Major Program Changes in the CWS Program Since the FY 2001-02

AB 636 and Performance in California

AB 636, the Child Welfare Outcomes and Accountability Act, was passed in 2001 and implemented in 2004. Implementation required that each county conduct an intensive self-assessment and planning process for improving CWS every three years. The self-assessment is necessary to determine the basis for current level of performance and to identify procedural, systemic, practice or resource barriers to improved performance. The assessment process must incorporate the broad child welfare stakeholder community and must identify specific actions to improve CWS in each county. In addition, in conjunction with the University of California, Berkeley (UCB), an outcome measurement system has been developed that measures each major State and federal (Adoption and Safe Families Act) outcome on a county-by-county basis each quarter.

Based upon the findings of the self assessment each county is required to submit a System Improvement Plan (SIP). These plans are developed by the lead agencies in collaboration with their local partners and are approved by the County Board of Supervisors and CDSS. The overall focus of the plan is a commitment to specific measurable improvements in performance outcomes that the county will achieve within a defined timeframe. The County SIP will establish program priorities, define the action steps to achieve improvement, and establish the specific percentage increases in performance that the county will achieve within the term of the plan. These are the operational agreements between the county and State. This Plan and the data results that are influenced by the county's activities are monitored by CDSS. The goal is to improve safety, permanency and well-being outcomes for children and families known to child welfare.

Statewide data on all State and federal indicators reflect steady improvements. Three measures, however, remain below the federally-prescribed target (under the State's approved Program Improvement Plan (PIP) and if not achieved will result in federal fiscal penalties. The final PIP data report is due April 2007. In addition, Federal measures for future Children and Family Services Reviews (CFSRs) have changed, increasing in threshold and complexity for FY 2007-08. As a result, the outcome improvement process established by AB 636 will be modified, and will continue to anchor the State's and counties' system for tracking and improving performance and outcomes.

Foster Care and Kin-GAP

A major driver of costs in the CWS Program is the cost of managing children in foster care. Children in foster care are the single largest caseload among the four primary caseload drivers in CWS. These are also the children who have been removed from their natural families and have become the charge of government. Since the 1990's when caseloads reached 90,000, caseloads have steadily decreased and are forecast to be 73,000 for FY 2006-07.

In January 2000, the Kin-GAP Program was implemented. This program allows for payments to relatives to care for relative children in lieu of keeping these children in foster care. Along with the Adoptions Program, it is widely acknowledged as a major driver in the reduction of the foster care caseloads. Since the Program was implemented, foster care caseloads have continued to decline and Kin-GAP caseloads have increased to 14,500. However, both trends have slowed in the past two FYs. The budget outlay for a typical Kin-GAP case is under \$6,500 annually while the cost of a foster case can be double that amount. The program saves both the State and county money. More importantly, Kin-GAP results in a good policy outcome.

Recent Changes Are Supporting the Shift to Outcome Improvement

California's CWS Program focus has shifted in recent years due to the federal CFSR (2002), CWS Redesign activities (2000-2004) and implementation of the new Outcomes and Accountability System (2004). This promotes positive outcomes for children and families in the core areas of safety, permanency and well-being. Underlying these programmatic changes is the need to continually improve outcomes at the county level to assist the State in preparing for and complying with the next federal CFSR scheduled to occur in FY 2007-08.

In part as a result of the first federal CFSR and State PIP, but primarily as a result of the State initiated CWS Redesign and the State CWS Outcome and Accountability System, the State established CWS Improvement pilots. These pilots are testing alternative approaches to delivering CWS. These CWS Improvements, which impact both system and practice, are key to the ongoing effort to improve statewide program outcomes and for the State to pass the next CFSR and continually improve outcomes for children and families. In FY 2006-07, \$13.7 million (\$8.4 million GF) is budgeted for these pilot efforts. The pilot activities are Differential Response, Standardized Safety Assessment and Permanency and Youth Services.

Another change is funding tied to specific county identified improvement needs. Beginning in FY 2005-06 the State budget contained a unique funding opportunity for counties to use to improve outcomes for children in the CWS Program. The CWS Outcome Improvement Project (OIP) funds totaling \$12.9 million (\$10.7 million GF) which do not require a county match, were made available through a competitive application process. The OIP funds are provided to counties for safety, permanency, well-being and/or system improvements identified as a part of an approved county SIP, county self-assessment and/or county Peer Quality Case Review, completed in accordance with the State CWS Outcome and Accountability System (AB 636).

The FY 2006-07 budget included an increase of \$98 million to provide counties with flexible funding to address local needs that will improve the outcomes for children in each county. The CWSOIP funds, which do not require a county match, are intended to support county efforts to improve outcomes for children by providing counties with

additional resources for activities such as: increased staffing; implementing new procedures; providing special training to staff or caregivers; purchasing services to meet unmet needs; conducting focused/targeted recruitment of caregivers; and improving coordination between public and/or private agencies. The initial reports indicate that about 76 percent was expended on new staffing in counties to reduce social worker caseloads and 24 percent was allocated to other activities to improve outcomes including pilot projects and new services.

Federal Title IV-E Waiver Demonstration Project

In March 2006, the federal government approved a demonstration waiver for California that will allow participating counties much broader discretion in the expenditure of federal Title IV-E funds. Currently, funds can only be expended when children are determined at-risk of removal from their families. This waiver will allow a “block grant” of funds to the counties and provide for the purchase of preventative services targeted to improve the family unit and avoid the necessity of removal of the child from the family home. The purpose of the waiver is to measure the effect this broader allowable expenditure of the federal funds has on improved outcomes for children. Currently, the State is in negotiations with Los Angeles and Alameda counties to implement the waiver in those counties subject to local plan approvals. The evaluation of this waiver demonstration will determine if providing greater flexibility to the counties has the likelihood of improving the outcomes. By providing a county with a consistent and flexible Title IV-E fund, the waiver will test whether changes to service selection will improve program outcomes for children at-risk of entering and those currently in the child welfare system in California. This waiver will extend over five FYs and is expected to run through the Federal Fiscal Year (FFY) 2012.

Current program trends are emphasizing new efforts toward improving outcomes including intensive county planning, federal oversight reviews, and State and federal funding to test new and innovative approaches to achieving better outcomes for children and families. Although these efforts are not being tested in all counties, they do reflect a change both in the basic approach to funding and budgeting CWS as well as increased flexibility in the expenditure of funds by the counties. The result of these efforts may be a dramatically different method of funding CWS in the future, with greater emphasis on flexible spending toward the goal of improved outcomes.

Discussion of SB 2030 Standards

Passage of SB 2030 of 1999 required that CDSS undertake an evaluation of workload and budgeting methodologies and set forth certain requirements for such a study. With considerable support from the counties; CDSS; the Department of Technology Services; and IBM, the SB 2030 project was able to obtain and analyze data from over 15,000 child welfare staff representing all 58 counties collected over a two-week period of time. The data were subjected to quality assessment checks at several levels, and key benchmarks in the data results were achieved that indicated that the data analyses

were accurate. The resulting data were used to address special studies of innovative programs and to develop minimum and optimum standards for workload. These standards were published in April 2000 and are identified in the following table.

Proposed SB 2030 Workload Standards

Issued April 2000

CWS Basic Program Area	Current Workload Standard	Measured Workload Time	Composite Minimum Recommended Standard Time	Composite Optimum Recommended Standard Time
Screening/Hotline/Intake (ERA) Caseload per Worker	0.36 (322.50)	0.78 (148.85)	1.00 (116.10)	1.69 (68.70)
Emergency Response (ER) Caseload per Worker	7.35 (15.80)	7.19 (16.15)	8.91 (13.03)	11.75 (9.88)
Family Maintenance (FM) Caseload per Worker	3.32 (34.97)	3.97 (29.24)	8.19 (14.18)	11.44 (10.15)
Family Reunification (FR) Caseload per Worker	4.30 (27.00)	4.97 (23.36)	7.45 (15.58)	9.72 (11.94)
Permanent Placement (PP) Caseload per Worker	2.15 (54.00)	2.37 (48.99)	4.90 (23.69)	7.07 (16.42)

Note: Numbers not in parentheses are hours or portions of hours. Numbers in parentheses are average monthly caseloads.

The SB 2030 report states that meeting the minimum standards assumes that the service delivery system will consistently function so that current program requirements will be met for all cases. In contrast, the implementation of the optimum standards would be tied to significant improvements in the outcomes for children and families. Ensuring that outcomes are improved would require careful implementation of the standards and other process improvements designed specifically to address the outcomes, as well as a formal evaluation to learn whether the outcomes had been achieved.

In addition to providing new standards for each of the core child welfare programs, the SB 2030 study made numerous recommendations to the budgeting process for child welfare, including:

- The Proposed County Administrative Budget (PCAB) process should be continued to gather individual county unit costs. The State last used PCAB in FY 2001-02.
- The minimum standard caseload factors as determined by the workload study should be used in place of the current standards.
- Current budget methodology caseloads should be subject to additional specialized study to recognize the unique needs and additional time necessary to serve non-English speaking, culturally diverse, and disabled or handicapped populations.
- Adjustments for new staff training time needs should be addressed.

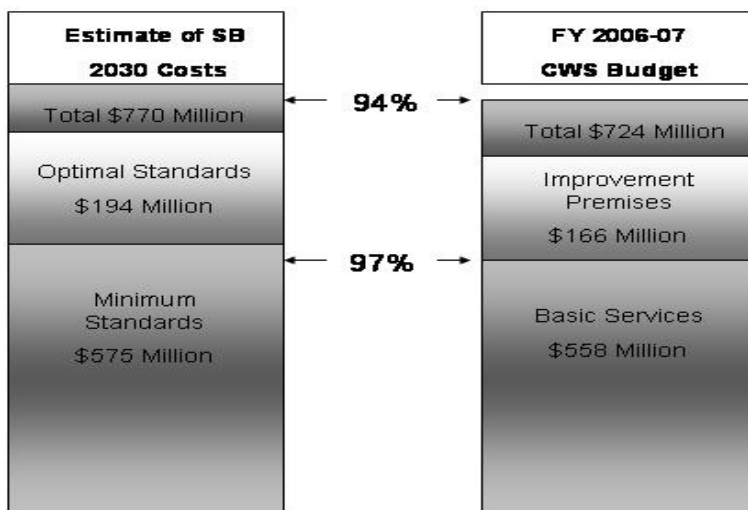
- Minimum funding allocations, that have historically been used for very small counties reduce unessential administrative overhead and should be expanded to include additional small counties.
- State funding for new child welfare programs, including new prevention and collaborative initiatives should be considered.
- A block grant methodology should be subject to further evaluation and considered for a limited pilot test.
- Raising the staffing levels toward the optimal standards should be done with expectation of improved outcomes for children and families.
- Consideration should be given to reviewing current State and county cost sharing ratios.
- Improve State and county budget communication.

The study suggests that achieving the minimum standards is necessary to meet State and federal requirements, and should be used as guidelines for establishing caseload-based funding levels that are consistent with CWS Program requirements in place at the time. Specifically, the study recommendation 1.1 indicated that the State should *“Consider implementing minimum caseload standards for case-related time as soon as possible for at least some program areas.”* The study also indicated that raising the staffing levels toward the optimal standards should be done with the expectation of improved outcomes for children and families. Specifically, the study recommendation 1.2 was for the State to *“Review the optimum standards and prioritize them for possible long-term implementation based on achievement of outcome criteria.”*

As discussed earlier, California’s current method for allocating basic CWS resources is based on caseload standards from 1984 and FY 2001-02 unit cost levels. Since the current model was adopted in 1984, there have been numerous legislative, demographic, programmatic, and administrative and/or technical changes affecting the practice of CWS that necessitate a review of this process. Since FY 2001-02 when the SB 2030 standards were first discussed in the budget process, \$473 million in total funding has been added for the CWS Program, with \$313 million specifically for county operations (see Attachment 2). While some of the increased funding is related to specific requirements a significant portion is flexible and allows counties the discretion in choosing how to achieve outcomes. This represents a 25 percent increase in the overall program and with caseload declines over the past five years, a 37 percent increase in funding per case provided to county operations.

The following is a GF comparison of the FY 2006-07 CWS Budget with the estimated cost of SB 2030 minimum standards and optimum standards. The available resources are categorized by the resources available to meet the program requirements in place at the time of the SB 2030 study (minimum standards), and those resources provided since that time for specific best practices and flexible funding tied to outcomes (optimal standards). These comparisons are based upon the FY 2001-02 unit costs.

Comparison of CWS Budget & SB 2030 Costs

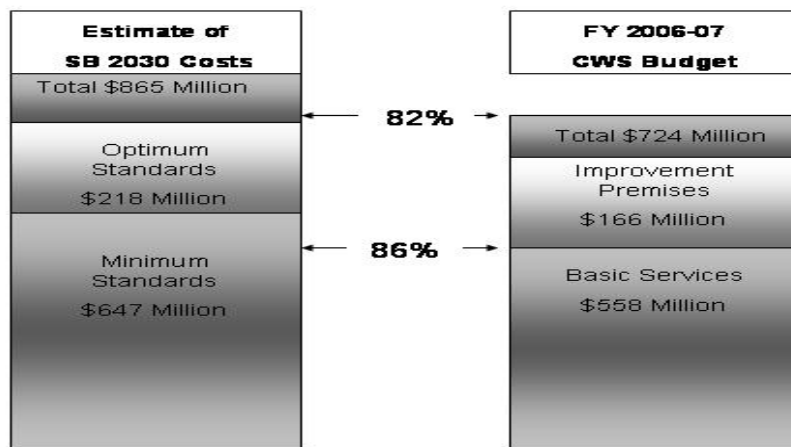


Compared at FY 2001-02 Unit Cost Levels

The following is a graphic that compares the FY 2006-07 CWS budget with the cost of the SB 2030 Minimum and Optimal Standards adjusted for the change in the CPI since FY 2001-02.

Comparison of CWS Budget & SB 2030

General Fund Costs Updated for CPI change Since FY 2001-02



Standards updated for CPI changes (12.5%)

The SB 2030 study recognized that new initiatives and programs should be authorized and funded in order to improve child welfare outcomes in California. Regardless of which comparison is used the total resources available are more than sufficient to meet the minimum standards, and California has invested in outcomes. The fact that

outcome measurements are improving is further evidence of the fact that resources are available to exceed the minimum standards. Initiatives that have been funded in California since FY 2001-02 were aimed at addressing the issues outlined in the report. Those initiatives include:

- Improved Training for CWS workers (\$19.2 million)
- Pilot projects in differential response, standardized safety assessment and youth permanency (\$14.7 million)
- Establishing relationships with important persons in foster children's lives authorized by AB 408/2003 and AB 1412/2005 (\$23 million)
- Implementation of the planning and data collection process outlined in AB 636/2002 (\$11.2 million)
- Approval and implementation of the Title IV-E Child Welfare Waiver Demonstration/Capped Allocation Project (\$988.1 million)
- CWS Outcome Improvement Projects (\$12.9 million)

In the FY 2006-07 Budget the Governor and legislature agreed to augment the CWS Program by \$98.6 million to provide the counties with funds to be spent flexibly on local priorities identified in the County SIPs. Counties have expended these funds differently. For example, 76 percent of the funding was directed to reduce social worker caseloads by either adding new positions or funding positions that would not have normally been funded. The remaining funds (24 percent) were used to support a variety of child welfare services improvement activities including differential response, prevention services for at-risk children, services to emancipated youth, expanding family preservation and wrap-around services, and mentoring services to youth in out-of-home care. Each county focused the funding on activities that it believed would improve outcomes for children in that locale.

Since the SB 2030 study was released, a significant investment of funds has been made by the State and counties in the CWS Program. The statewide funding available exceeded the minimum standard. Augmentations have been directed both to improved staffing as well as new and innovative approaches in CWS, and many counties have used resources to improve staffing and caseload ratios. This is particularly true with the FY 2006-07 augmentation of \$98.6 million for CWS outcome improvement efforts. The study did envision that CWS activities and spending on activities would change over time. The standards outlined in the SB 2030 study can be a guide for the overall funding level, but given the program changes and success in improving outcomes with flexible funding it should not be used to mandate caseload ratios of numbers of workers.

Stakeholder Input

The direction of the Legislature in developing the new methodology for budgeting required CDSS to solicit stakeholder input as part of the formulation of the new budget methodology for CWS. CDSS convened a series of stakeholder meetings to review information and solicit the stakeholder input.

There were a total of four stakeholder meetings. The meetings were:

- 1) Meeting One - discussion of principles and options for new budget methodology
- 2) Meeting Two - review of current budget methodologies and allocations
- 3) Meeting Three - review of UCD/CPPR report and findings
- 4) Meeting Four - wrap up and what we learned session

Principles and Options

CDSS and stakeholders focused on many of the same principles for the new budget methodology. Attachment 4 (CWS House Document) is a document developed to outline the principles and options for consideration. The principles that the stakeholders held as important in forging a new budget methodology include:

- 1) Simplicity and predictability are important
- 2) Workloads/caseloads should be the primary driver of the budget
- 3) Focus on child safety, permanence and well-being
- 4) Reinvestment of funding into new services
- 5) Flexibility in county expenditure is necessary
- 6) Budget system should not be costly to administer
- 7) Outcomes should be considered in the budget

Comments on Current Budget/Standard

The counties recognize that the 1984 budget standards are out-of-date and believe that the SB 2030 standards are a better representation of today's CWS work. However, they also indicated that components of the standards need updating. Those areas include the supervisor-to-worker ratio, non-case carrying staff factors and prevention and after-care services.

Summary of Stakeholders Interests

Stakeholder input was revisited with the workgroup at the final meeting and the following items were confirmed as areas of significant interest by the workgroup:

- Principles in the "house" document are important; simplicity, understandability and predictability (see Attachment 4)
- Workloads/caseloads should be the primary driver of budget
- Small counties need special consideration
- Hold harmless policy is necessary, but can be modified
- CODB is a major issue that needs resolution
- Counties should be provided flexibility in the administration of the budget
- No county should lose any funding as a result of changes, in particular a change to the hold harmless policy

- The SB 2030 standard should be discussed in terms of the “optimal” standard and that should be viewed as the standard of practice in CWS

The final recommendations in this report were not shared with the stakeholders and they were not asked for concurrence in the recommendations.

University of California at Davis (UCD) Nationwide Scan UCD Research

In August 2006, CDSS entered into an agreement with UCD/CPPR to review and summarize available information regarding industry standards for existing and new CWS budget methodologies developed by recognized child welfare organizations and accrediting bodies such as the Child Welfare League of America (CWLA). As part of the review, UCD was also asked to examine California’s SB 2030 CWS Workload Study and budgeting methodologies of other states, to the extent they supported best practices and improved CWS outcomes. As part of the final report, UCD’s other deliverables included supporting documentation, summaries, abstracts, and California child population demographic data. The purpose of the report was to help inform the efforts of the State (and the stakeholders workgroup) in the development of a proposed alternative CWS budgeting methodology.

UCD has extensive experience and a relationship with the State and counties and their administration of CWS Programs. The University network oversees and conducts social worker training courses statewide and has numerous research agreements with CDSS in its oversight of CWS Programs. With a very short timeframe under which to complete this project, UCD graciously accepted CDSS’ request of assistance in response to the challenging requirement presented by AB 1808 (Budget Trailer Bill). UCD researchers actively participated in stakeholders work group meetings and kept CDSS and the workgroup informed as they researched literature, interviewed industry experts, and scanned other states for information about CWS budgeting methodologies and effect on outcomes. The ***Final Report to the CDSS and the Stakeholders Work Group: Child Welfare Budgeting Issues*** was delivered on November 10, 2006 to stakeholders. A copy of the Executive Summary is attached (see Attachment 5).

Key Observations in the UCD-CPPR Report

State comparisons are difficult: The report summarized CWS spending and child demographic data of 13 states, including California, from 2000 through 2003. The other states were: Colorado, Florida, Illinois, Maryland, Michigan, Minnesota, Nevada, New Jersey, Ohio, Oregon, Pennsylvania, and Texas. There are summaries of other states’ funding strategies and caseload standards and discussion of drivers of these constructions, i.e. federal requirements, legislative design, court order, targeted program efforts, etc. Differing child welfare systems and methods of funding prevented effective comparisons with other states. All states, however, were in search of best practices and found those could not be achieved without reduced caseloads and a

stable and well-trained workforce. Many have requested additional staff to meet the workload challenges. Most states also have outcome monitoring systems, but the researchers found no other state that was doing as well monitoring outcomes than California. Other states were also testing flexibility in the expenditure of funds to meet individual family situations and local needs to improve outcomes for children and families.

Budget should be influenced by outcomes: The report found no state with an outcomes-driven budget or outcomes-driven resource allocation methodology, although it did raise the question of providing additional CWS full time equivalents (FTEs) or other funding without requiring improvement of outcomes. Emphasized in the report was the idea of shared risk between State and counties in the delivery and performance of CWS services and resultant outcomes, particularly in view of potential federal penalties. After discussions with multiple stakeholders, UCD suggested the need to develop a set of approaches (in addition to revised caseload standards) that would make funding for CWS more; 1) flexible, 2) sensitive to demographics, prevention and outcome oriented, and 3) responsive to changing outcome data. Further, the researchers suggest that “California might experiment with such methods in selected counties, in an effort to see how performance-based funding, reinvestment, and expanded State-county risk-sharing works in California.”

Innovative practices: The report reminds us that federal funding has historically reimbursed states for “discreet units” rather than achievement of desired outcome goals. Today, although federal funding conditions remain essentially the same, federal outcome measures now create “incentives” for performance by penalizing underachieving states. UCD described (sampled) states’ program innovation efforts, including those participating in federal IV-E Waiver projects. There is evidence in some states that reinvestment of savings due to reduced foster care caseloads has improved CWS outcome results. However, taking these pilot projects to full scale continues to be problematic. Also, as discussed earlier, California will soon implement a Title IV-E Waiver in Los Angeles and Alameda Counties. In addition, California is ahead of nearly all states in its program efforts and tracking system to outcomes. According to the report, this is due to the high level of cooperation between State and county levels of government in the administration of CWS Program goals. The outcomes are also improving because of this cooperation and the focus by the counties. Nevertheless, a dramatic change to the budget allocation system appears to be premature until the demonstration project yields results and further maturing of the AB 636 system, which was implemented in 2004, occurs.

Caseloads matter: Although there do not exist detailed studies on the exacting relationship between caseloads and outcomes, research does indicate relationships of caseload size to effective case management, employee retention and burnout, and a strong correlation to caseload reductions. Specific to this, the researchers struggled with comparisons between states because of differing standards, program designs, and structural budgets. However, many states are moving to set standards, some based on CWLA recommendations. Turnover and staff retention continues to be an issue

nationwide, although UCD researchers indicated that California's social worker workforce remains more stable than most.

California is doing better than most other states: The researchers offer that California is already doing better than most other states because of the relatively high level of education and experience of social workers, partly because of the focus on outcomes and the outcome monitoring system already in place, and partly because of the State and county governments working together to improve the lives of children.

The study concludes that standards are only part of the equation. Any investment in standards must be accompanied by evaluating changes in outcomes, demographic trends and flexibility in shifting funds among counties to meet caseload needs and opportunities to improve outcomes.

Findings – What We Have Learned

The in-depth look at the funding, budgetary policies and participation in the program by the counties provide several significant findings.

- 1) *Funding in the CWS Program has increased significantly over the past five years.* The GF investment has increased by 28 percent while the total program has increased by 25 percent between FY 2001-02 and FY 2006-07. During the same period, funding provided for the county operations of CWS increased a total of 21 percent (33 percent GF). Because caseload declined by 12 percent during the same time, the average funding per case increased by 37 percent (51 percent GF).

The single largest increase in funding for this program occurred with \$98.6 million added by the Legislature and the Governor for FY 2006-07. However, there have been a number of increases to the budget including funding for social worker training, innovative projects and increased workload on county workers. Finally, the counties also have provided funding beyond the State requirement over the past five years with the highest amount contributed in FY 2005-06 totaling in excess of \$150 million. This represents another 9 percent of funding in the program that is not included in the formal budget figures.

The State budgets since FY 2001-02 have used the FY 2001-02 unit costs for budget development. If you compare the current budget against the estimated cost of the SB 2030 minimum staffing standards at FY 2001-02 unit costs, the statewide budget for basic services is nearly sufficient to fund the SB 2030 minimum standards and the total resources available exceed the minimum standards. See items # 3 and #4 for additional discussion on budget policies affecting county-by-county allocations.

- 2) *Outcomes are improving in California:* Since the federal program review of 2002 and the implementation of the statewide Outcome and Accountability System, outcomes are improving in the CWS Program. After the federal review, California met only two of fourteen performance measures. Today, the State has met eleven of the fourteen outcome indicators and is improving in the other three. State outcomes are improving as well. Since January 2004, the State has improved outcomes in 26 of the 28 indicators measured by the State's AB 636 system.
- 3) *Hold harmless budget policy has contributed to inequities in funding by county.* Despite the significant funding increases, there remain inequities in county-by-county allocations because of two budget policies that existed for the past five years. First, the funding for counties has been held constant even if caseload has declined in a county. This was meant to provide a stable source of funding for counties and protect against data reporting errors due to implementation of the Child Welfare Services Case Management System. As a result, counties with decreasing caseloads maintained constant funding and have a richer State funding per case than those counties with increasing caseloads.

The UCD study pointed out that some counties are making progress toward meeting the SB 2030 minimum standards because of hold harmless funding. In fact, some counties exceed the SB 2030 minimum standards. With a funding target equivalent to the SB 2030 minimum standards on an FTE basis, current actual allocations compared to the SB 2030 standards range from 71 percent to 200 percent of the standard among the counties. Excluding the very small counties, 23 counties meet or exceed the SB 2030 minimum standards in terms of FTE allocations based upon FY 2001-02 costs (see Attachment 6.) In FY 2006-07, the hold harmless funds account for 20 percent of the allocation to counties. Attachment 7 displays the hold harmless funds as a percentage of the counties' total allocation.

- 4) *CODB policy has not funded increased CWS costs:* Current budget policy bases county costs at the FY 2001-02 levels. Most counties have provided salary increases during the last five years as required by legitimate collective bargaining efforts. The average costs have increased by 23 percent since FY 2001-02. This is higher than the CPI for the same period which totals 12.5 percent. In order to maintain purchasing power and worker caseloads, counties have reacted differently, with many counties providing their own funds for support of the program. Statewide funding increases of \$473 million since FY 2001-02 have also mitigated this problem to some extent. The lack of a stable and predictable methodology for CWS funding is a key deficiency that limits flexibility and counties' ability to improve outcomes.
- 5) *California's counties are contributing a significant share to support the CWS Program.* In FY 2005-06, the counties contributed \$155 million more in funding than the basic match required under law. This represents an increase of 9 percent in the program (18 percent if all are eligible for federal funds). At the

same time, a budget augmentation in FY 2006-07 provided \$98 million in new funding to the counties without requiring a county match. Given that California's basic program requires a 70 percent State/30 percent county sharing of the required match for federal funds, the need to waive the counties' match responsibility does not appear necessary given current county behavior.

- 6) *UCD reports that California's CWS Program may be better prepared to meet the challenges of CWS because it has higher educated and more experienced staff than other states and that turnover on a statewide basis is lower than other states.* This is a positive finding for California. Specifically, turnover rates were lower in 2004 than they were in 1998 in California. Many states that were dealing with program problems tied them directly to the inability to retain and attract qualified case managers. Many states do not require masters level Social Work degrees as most counties in California do. Despite this finding, several California counties have raised concerns that qualified workers cannot be attracted or retained. Nevertheless, California's situation is better when compared to the balance of the nation.
- 7) *UCD reports that the size of caseloads of social workers does matter.* The UCD review points to two main areas in which caseload size has a significant impact. First, the more attention and time a caseworker can pay to a case the better the relationship with the child and family and the better the outcomes. The other finding is the smaller the workload a caseworker has, the better the worker retention rates. Research indicates that retention of caseworkers is key to success in family preservation and reunification. Training and effective approaches to case management are also factors that improve outcomes.
- 8) *There have been changes in budgeting, law and practice since the SB 2030 study was completed.* The SB 2030 standards were developed based upon 1999 data. Many casework practices and approaches have changed since that time. The study acknowledged that the minimum standards were aimed at achieving basic requirements and the optimal standards would be tied to significant program improvements. The optimal standards also envisioned change over time, new practices and linkage to improved outcomes. California has invested in both the basic services and the testing of innovative approaches to improve outcomes.

There has been an investment of \$473 million, including \$313 million specifically for county operations, addressing both basic services and new and innovative practices since FY 2001-02. This funding represents twenty-one new budget premise items in the CWS budget. Many of these investments were meant to improve outcomes and can reasonably be counted toward the optimal standard. Some provide flexible funding for counties and some direct the implementation of new laws requiring specific activities to improve outcomes. Given the many changes, the SB 2030 study should be only a guide for the overall level of funding, and should not be used to dictate caseload ratios or the number of

workers. Establishing the standards as a rigid budget rule would inhibit the flexibility needed in county operations and discourage the innovative activities included in local System Improvement Plans to improve program outcomes. The total resources invested exceed the amount needed for the minimum standards and California has invested in outcomes with success.

- 9) *There is no other state that has an outcome measurement system on par with California's.* California's AB 636 system is a comprehensive planning and measurement tool that requires an intensive local planning process to chart improvements and measures the major State and federal program indicators on a quarterly basis. UCD found that no other state has a system as well developed as California's. The system was initiated in January 2004 and has been operational only three years. Experts indicate that accuracy of reporting and timeliness are improving, yet are reluctant to recommend adoption of the system as the sole basis for budgeting purposes. However, UCD points out that even though there is widespread interest in linking budget to outcomes, there is no state with such a system. While California has taken steps to link budget augmentations to outcomes through the Outcome Improvement Project, it remains challenging to tie the quarterly outcome measures to a rational budgeting system for all the available resources. UCD researchers do suggest that California attempt an effort in selected counties.

Challenges to Improving the CWS Budget

In reviewing the status of the CWS budget, there are many positive findings. Both the State and counties have increased funding for the program, increasing the cost per case funding by 37 percent over the past five years. The UCD survey shows that California has more educated and more experienced workers than most states. We have also seen California's outcomes as measured by the AB 636 outcome and accountability measures improve across the board. Further, the Kin-GAP Program was initiated and foster care caseloads have declined as a result and nearly 14,000 children now have a permanent home with a relative. Finally, California secured approval of a federal Title IV-E Waiver to test a much broader use of Title IV-E funds than is currently allowed. Many positive events have occurred in CWS over the past five years.

Even with these positive signs, there is confusion surrounding the CWS budget. Budget policies that affect equity and purchasing power have not been reviewed in recent years. The basics of the budget are not clear. The basic elements for calculating the budget are over twenty years old and State level budget and allocation policies have resulted in discrepancies in State funding among like counties. Direction attached to augmentations has also complicated the budget by exempting county match. The UCD report reinforces the confusion citing conflicting reports on caseload/workload levels and recommending that additional work should take place to determine actual levels.

In building a new and better budget methodology for CWS, many challenges are presented. The stakeholders group proposed a set of principles to be followed in the development of a new methodology. Those principles are:

- Keep it simple
- Outcome driven
- Stability and predictability
- Focus on safety, permanence and well-being
- Continuous service improvement
- Use research and data to inform the process
- Keep funding re-invested for children still in care
- Protection against fiscal downturns

The UCD report also offers potential direction for future budgets. The report indicates many other states are moving in new directions in budgeting including incentive and outcome-based budgeting and shared risk contracting that are significantly different from California's emphasis on workload and worker unit cost approach. Because California has both better educated than average social workers and a sound outcome measurement system, and because of its size, it suggests that California maintain a connection to the number of children being served while keeping an eye on demographic trends and child outcomes in relation to actual expenditures. It further suggests that funding could be shifted among counties with improved outcomes in mind.

The data shows us that the base funding by county varies widely (see Attachment 3). The base funding has been distorted over time because the State's policy on hold harmless that has resulted in funding per case of many counties increasing while cases declined. Counties with growing caseloads did not see the same benefit. The State's CODB funding policy has also caused inequities among counties, and disconnected the budgeting methodology from the cost of service delivery. Many counties have provided their own funds to augment local CWS activities. The stakeholder input asks for stability, predictability and simplicity in funding among other items. Establishing a stable and predictable budgeting methodology with rational and equitable treatment of counties is a high priority.

The CODB is an integral part of the base funding and presents challenges. Any change in the budget methodology should include a means to measure the changes in the CODB and provide a mechanism for funding as appropriate.

UCD reports that the SB 2030 standards are the best mechanism for California. The counties weighed in that every county should be funded at least at the minimum standard, and notwithstanding the county inequities created by the current budgeting methodology statewide resources are more than sufficient to fund the minimum standards. Yet, there are also contradictions in the input provided by both UCD and the counties. UCD indicates that budgets should be tied to an expectation of improved outcomes and that practice across the nation is focusing on outcomes, shared risks, and innovative approaches. Similarly, the counties also want maximum flexibility in the

expenditure of funding allocation to meet local needs as defines in System Improvement Plans. Some counties have invested in increased staffing while others pursue pilot projects and innovative services to families to improve outcomes. The SB 2030 study should at most guidepost for the overall level of resources rather than a strict budget standard that would limit counties' ability to achieve outcomes.

Increased Funding Tied to Improving Outcomes

The national trends in budgeting are focused on outcomes, shared risk and block grant approaches. California is well equipped to begin budget work on outcomes as it has the best outcome measurement system in place, managed by UCB, and has begun providing augmentations to fund program improvement activities defined in local System Improvement Plans. The system has been testing new (pilot) approaches to responding to families in crisis and assessing families' and children's risk of harm. Counties are also linking other community organizations into the prevention of family problems and to assist families in solving problems. Further, the State also demonstrated leadership by seeking and gaining approval for a waiver of the restrictions on federal Title IV-E funding so that these funds can be spent on prevention efforts to avoid having children end up in foster care. Although many of these efforts have not yet been validated by specific research, counties believe they are working and want the ability to spend State and federal funds on these efforts.

California can and should continue to use its outcome measurement tools to validate CWS efforts in individual counties. However, managers of the outcome measurement system warn that more work needs to be done before they can be linked to full funding. Certainly, validation of any new efforts funded should occur before they are made a permanent part of budget augmentations or the standard of practice on a statewide basis. Such validations will take some time, either through specified evaluation criteria that might be necessary as part of a waiver or through long range data tracking tied to safety, permanency and well-being outcome measures. The State can also build incentive programs as part of the budget for improving specific selected outcomes, such as permanency for children or outcomes that are critical to the maintenance of federal funding. Counties have expressed the willingness to work with the State to develop programs that base a portion of the budget on outcomes and incentives.

In recent years, California has made additional and substantial increases in the CWS budget to improve outcomes. CWS outcome measures are improving but there is no strong data-driven correlation between the total level of funding provided to a county and program outcomes. Likewise, while outcome measures have increased over the years, the funding components at both the federal and State levels have not entirely complemented the expectations of improved outcomes. Human service programs take time to be delivered and take time to evaluate. While counties as a whole have shown substantive improvements in their CWS Program outcomes, the safety, permanency, and well-being of California's children will always be subject to a continuous improvement plan, as it should be.

Conclusion

California needs to address three primary funding goals: assuring equitable CWS funding among counties, developing a stable and predictable funding methodology, and expanding efforts to link budgeting and improved outcomes.

CWS Funding

The first task is for all counties have equitable CWS funding that is adequate and can easily be explained. Statewide the comparison of the budget to the SB 2030 standards is a favorable one. On an FTE basis, the current method used to develop the basic budget along with the additional augmentations generate 97 percent of the SB 2030 standard. However, there is vast inconsistency among individual county allocations (see Attachment 3). This requires adjusting budget allocation policies including phasing out the hold harmless practice, and addressing the CODB policy in the CWS Program.

Program Outcomes Linked to Funding

It is time for California to look at formally linking spending to program results. California has an advanced outcome measurement system, as part of its System Improvement Process, which demonstrates progress in child welfare program outcomes for every county in California. The State has provided flexible augmentations with the goal of improving CWS outcomes in the CWS Outcome Improvement funds. Counties, in turn, have utilized this funding in a variety of ways, but much of it to aid caseload relief and address social worker salary increases. For the \$98 million CWS augmentation, 24 percent of the funds were used on specific and new innovative program strategies. All of the CWSOIP (Project) \$12.9 million is being dedicated to innovative CWS Program strategies, most notably differential response, with much of the funding also being utilized for staffing needs associated with these innovations. Finally, there are counties in California that want to demonstrate new and innovative ways to deliver services and improve the lives of children in California via the waiver process. There is no lack of willingness by county CWS managers to further progress in this important program. Funding remains key. Receipt of future CWS augmentations should be expended on efforts targeted to specified outcome measures established under federal (CFSR) and/or State (AB 636) requirements.

Departmental Priorities and Recommendations

CDSS proposes the following priorities and recommendations to improve the budgeting and allocation system for CWS. Consistent with our conclusions, the State should:

1. In the interest of safety to children, include a safeguard to assure the maintenance of purchasing power for CWS operations in counties.

Recommendation: Work with CWDA to establish a stable and predictable funding methodology that builds upon the total resources available, and \$473 million invested in recent years, recognizes the increasing cost of services over time, and provides the flexibility necessary to meet local needs.

2. Establish equitable funding allocations for all counties in an easily understood manner. Provide limits to the policy of holding counties harmless for caseload declines and establish future funding based on caseload trends.

Recommendation: Work with the CWDA to develop an allocation methodology that addresses funding inequities caused by hold harmless.

3. Work toward a consistent sharing of non-federal match requirements between the State and counties.

Recommendation: Share all CWS Program costs on a consistent basis with the current law of 70 percent State, 30 percent county of the non-federal share of costs.

4. Better understand the demographic factors affecting California's CWS Program.

Recommendation: CDSS should begin to study the linkages between populations, poverty and related demographics and the CWS caseloads. Annually with the submission of the Governor's Budget, CDSS should submit information on significant trends that could impact CWS caseloads.

ATTACHMENTS

Attachment 1	Stakeholder Meeting Representatives
Attachment 2	Changes in the CWS Budget since FY 2001-02
Attachment 3	Allocation on a Cost-per-Case basis
Attachment 4	House Document: Options and Principles for New Budget Process, Developed by Stakeholders
Attachment 5	CPPR/UCD Executive Summary
Attachment 6	FY 2006-07 FTE Allocations as a Percentage of SB 2030 Minimum Standards
Attachment 7	Hold Harmless Funds as a Percentage of County Allocations
Attachment 8	Counties with County Overmatch Since FY 2001-02
Attachment 9	SB 2030 Workload Study Executive Summary
Appendix	UC Davis/CPPR Report of Child Welfare Budgeting Issues (CD-ROM)